

European Union and Euratom



Credit strengths

- Highly rated Member States, providing de facto joint and several support
- High liquidity buffers, excellent market access, budgetary flexibility
- Preferred creditor status

Credit challenges

- Significant increase in debt
- High guarantees, mostly to European Investment Bank

Ratings and Outlook

Foreign currency

| | |
|--------------------------|-------------|
| Long-term issuer rating | AAA/Stable |
| Senior unsecured debt | AAA/Stable |
| Short-term issuer rating | S-1+/Stable |

Rating rationale and Outlook:

The AAA rating of the European Union (EU) reflects its 'very strong' Member support and 'excellent' intrinsic strength. In detail:

- **Shareholder support:** The EU benefits from: i) the largest European economies being its highly rated key Member States, with a weighted average rating of AA-; ii) a track record of and solid legal basis for receiving timely financial support; iii) extraordinary support mechanisms, ensuring de facto joint and several support; and iv) a legally enshrined debt service priority combined with significant budgetary flexibility.
- **Institutional profile:** The EU has a proven record of excellent governance and an irreplaceable mandate for its Member States, implemented the SURE and NGEU programmes to be at the heart of Europe's Covid-19 response and leading the continent's transition towards a carbon-neutral and climate-resilient economy.
- **Financial profile:** The EU benefits from a very strong liquidity profile, driven by high, prudently managed liquid assets, excellent market access given its global benchmark issuer status, and a diversified funding base. The EU's excellent asset quality reflects its preferred creditor status. Challenges relate to the almost tenfold increase expected in its outstanding liabilities from 2020 levels over the coming years, which will result in higher debt repayments going forward.
- **Outlook and triggers:** The Stable Outlook reflects our assessment of the EU's financial buffers to withstand shocks. The rating could be downgraded if: i) highly rated key Member States were downgraded; ii) the EU's institutional setup weakened; and/or iii) the EU's liquidity buffers declined.

Lead Analyst

Eiko Sievert
 +49 69 6677389-79
e.sievert@scoperatings.com

Team Leader

Alvise Lennkh-Yunus
 +49 69 6677389-85
a.lennkh@scoperatings.com

Figure 1: Scope's assessment of the EU's rating drivers



Scope Ratings GmbH

Neue Mainzer Straße 66-68
 60311 Frankfurt am Main
 Phone +49 69 6677389-0

Headquarters

Lennéstraße 5
 10785 Berlin
 Phone +49 30 27891-0
 Fax +49 30 27891-100

info@scoperatings.com
www.scoperatings.com



Bloomberg: RESP SCOP

Outlook and rating triggers

The Stable Outlook reflects our view that risks to the ratings are balanced over the next 12 to 18 months.

Positive rating-change drivers

- Not applicable

Negative rating-change drivers

- Downgrades of key Member States
- Weakening in institutional setup
- Reduction in liquidity buffers

I Indicative Rating: European Union

Indicative rating: AAA

We map our assessments of the institution's shareholder support, which ranges from AAA to CCC, against its intrinsic strength, which is driven by its institutional and financial profiles, and assessed on a seven-point scale ranging from Excellent to Very Weak.

Intrinsic Strength: Mapping institutional and financial profiles for the EU

| Intrinsic Strength | | Institutional Profile | | | | |
|--------------------|-------------|-----------------------|-------------|-------------|-------------|-------------|
| | | Very Strong | Strong | Moderate | Weak | Very Weak |
| Financial Profile | Excellent | Excellent | Excellent | Excellent | Very Strong | Very Strong |
| | Very Strong | Excellent | Very Strong | Very Strong | Very Strong | Strong |
| | Strong | Very Strong | Strong | Strong | Strong | Adequate |
| | Adequate | Strong | Adequate | Adequate | Adequate | Moderate |
| | Moderate | Adequate | Moderate | Moderate | Moderate | Weak |
| | Weak | Moderate | Weak | Weak | Weak | Very Weak |
| | Very Weak | Weak | Very Weak | Very Weak | Very Weak | Very Weak |

Indicative Rating: Mapping intrinsic strength and shareholder support for the EU

| Indicative Rating | | Intrinsic Strength | | | | | | |
|---------------------|----------|--------------------|-------------|-------------|-------------|-------------|-------------|------------|
| | | Excellent | Very Strong | Strong | Adequate | Moderate | Weak | Very Weak |
| Shareholder Support | AAA | AAA | AAA | AAA | AAA | AAA | AAA / AA+ | AA+ / A+ |
| | AA+ | AAA | AAA | AAA | AAA | AAA | AAA / AA | AA / A |
| | AA | AAA | AAA | AAA | AAA | AAA / AA+ | AA+ / AA- | AA- / A- |
| | AA- | AAA | AAA | AAA | AAA | AAA / AA | AA / A+ | A+ / BBB+ |
| | A+ | AAA | AAA | AAA | AAA / AA+ | AA+ / AA- | AA- / A | A / BBB |
| | A | AAA | AAA | AAA | AAA / AA | AA / A+ | A+ / A- | A- / BBB- |
| | A- | AAA | AAA | AAA / AA+ | AA+ / AA- | AA- / A | A / BBB+ | BBB+ / BB+ |
| | BBB+ | AAA | AAA | AAA / AA | AA / A+ | A+ / A- | A- / BBB | BBB / BB |
| | BBB | AAA | AAA / AA+ | AA+ / AA- | AA- / A | A / BBB+ | BBB+ / BBB- | BBB- / BB- |
| | BBB- | AAA | AAA / AA | AA / A+ | A+ / A- | A- / BBB | BBB / BB+ | BB+ / B+ |
| | BB+ | AAA / AA+ | AA+ / AA- | AA- / A | A / BBB+ | BBB+ / BBB- | BBB- / BB | BB / B |
| | BB | AAA / AA | AA / A+ | A+ / A- | A- / BBB | BBB / BB+ | BB+ / BB- | BB- / B- |
| | BB- | AA+ / AA- | AA- / A | A / BBB+ | BBB+ / BBB- | BBB- / BB | BB / B+ | B+ / CCC |
| | B+ | AA / A+ | A+ / A- | A- / BBB | BBB / BB+ | BB+ / BB- | BB- / B | B / CCC |
| | B | AA- / A | A / BBB+ | BBB+ / BBB- | BBB- / BB | BB / B+ | B+ / B- | B- / CCC |
| | B- | A+ / A- | A- / BBB | BBB / BB+ | BB+ / BB- | BB- / B | B / CCC | CCC |
| CCC | A / BBB+ | BBB+ / BBB- | BBB- / BB | BB / B+ | B+ / B- | B- / CCC | CCC | |

For non-capitalised supranationals, the assessment of the financial profile is capped at 'Very Strong'.

Source: Scope Ratings

II Members: European Union

| EU Member States | Population (m) | GDP (EUR bn) | 2023 Budgetary contribution (EUR bn)* | ECB capital key (%)** | Rating (latest) | Share ≥ AA- (%) |
|------------------|----------------|---------------|---------------------------------------|-----------------------|-----------------|-----------------|
| Germany | 84.4 | 3,876.8 | 34.1 | 21.8 | AAA | 21.8 |
| France | 68.1 | 2,639.1 | 26.0 | 16.4 | AA | 16.4 |
| Italy | 58.9 | 1,946.5 | 19.1 | 13.1 | BBB+ | |
| Spain | 48.1 | 1,346.4 | 13.7 | 9.7 | A- | |
| Poland | 36.8 | 654.6 | 7.4 | 6.1 | A | |
| Netherlands | 17.8 | 958.5 | 9.5 | 4.8 | AAA | 4.8 |
| Sweden | 10.5 | 563.0 | 3.9 | 2.9 | AAA | 2.9 |
| Belgium | 11.8 | 554.0 | 6.7 | 3.0 | AA- | 3.0 |
| Romania | 19.1 | 284.2 | 2.9 | 2.9 | BBB- | |
| Austria | 9.1 | 447.2 | 3.5 | 2.4 | AAA | 2.4 |
| Greece | 10.4 | 206.6 | 2.1 | 1.8 | BBB- | |
| Portugal | 10.5 | 242.3 | 2.4 | 1.9 | A- | |
| Czech Republic | 10.8 | 276.3 | 2.8 | 2.0 | AA- | 2.0 |
| Denmark | 5.9 | 380.6 | 3.1 | 1.8 | AAA | 1.8 |
| Hungary | 9.6 | 168.9 | 1.9 | 1.6 | BBB | |
| Finland | 5.6 | 268.4 | 2.4 | 1.5 | AA+ | 1.5 |
| Ireland | 5.2 | 506.3 | 3.6 | 1.8 | AA- | 1.8 |
| Bulgaria | 6.4 | 85.8 | 0.9 | 1.0 | BBB+ | |
| Slovakia | 5.4 | 109.6 | 1.1 | 0.9 | A | |
| Croatia | 3.9 | 68.0 | 0.7 | 0.6 | BBB+ | |
| Lithuania | 2.9 | 67.4 | 0.7 | 0.5 | A | |
| Slovenia | 2.1 | 57.0 | 0.8 | 0.4 | A | |
| Latvia | 1.9 | 38.9 | 0.4 | 0.3 | A- | |
| Luxembourg | 0.7 | 77.5 | 0.5 | 0.3 | AAA | 0.3 |
| Estonia | 1.4 | 36.0 | 0.4 | 0.2 | AA- | 0.2 |
| Cyprus | 0.9 | 27.8 | 0.3 | 0.2 | BBB+ | |
| Malta | 0.5 | 17.5 | 0.2 | 0.1 | A+ | |
| Total | 448.4 | 15,905 | 151.0 | 100.0 | | 58.9 |

*Refers to total own resources contribution according to Amending Budget 4 of 2023. **Weighted by GDP and population. Source: Scope Ratings



European Union and Euratom

III Scope's supranational scorecard: European Union

| | Risk factors | Variables | Unit | | | | | | | | EU | | | |
|------------------------------------|--------------------------------------|--|--------------------------------|---------------|-------------|-------------|------------|---------------|-------------|--------|-------------|--------------------|---------|---|
| | | | | +4 | +3 | +2 | +1 | 0 | -1 | -2 | Value | Assessment | Notches | |
| Shareholder Support | Key shareholder rating | Weighted average rating of key shareholders | AAA - CCC | -- | -- | -- | -- | -- | -- | -- | -- | AA- | | |
| | Key shareholders & exposures (-1; 0) | Share of portfolio related to key shareholders | % | -- | -- | -- | -- | ≤ 50 | > 50 | -- | 48.0 | Low | 0 | |
| | Extraordinary Support (0; +2) | Additional support mechanisms | Qualitative | -- | -- | Very Strong | Strong | N/A | -- | -- | -- | Very Strong | 2 | |
| Shareholder Support | | | | | | | | | | | | AA+ | | |
| Institutional Profile | Mandate & ESG (-2; +2) | Importance of mandate | Qualitative | -- | -- | -- | Very High | High | Declining | -- | -- | Very High | | |
| | | Mandate | Social factors | Qualitative | -- | -- | -- | Strong | Medium/ N/A | Weak | -- | -- | Strong | 1 |
| | | | Environmental factors | Qualitative | -- | -- | -- | Strong | Medium/ N/A | Weak | -- | -- | Strong | |
| | | | Shareholder concentration | HHI | -- | -- | -- | -- | ≤ 1500 | > 1500 | -- | 1100.0 | Strong | |
| | | Governance risks | Shareholder control | % | -- | -- | -- | -- | ≤ 25 | > 25 | -- | 22.0 | Strong | 1 |
| | | | Strategy and internal controls | Qualitative | -- | -- | -- | Strong | Medium | Weak | -- | -- | Strong | |
| Institutional Profile | | | | | | | | | | | | Very Strong | | |
| Intrinsic Strength | Liquidity & funding (-4; +8) | Liquid assets ratio | % | > 100 | ≤ 100; > 75 | ≤ 75; > 50 | ≤ 50; > 25 | ≤ 25; > 15 | ≤ 15; > 10 | ≤ 10 | 115.0 | Excellent | 4 | |
| | | | Maturity gap | Multiple | -- | -- | > 0.75 | < 0.75; ≥ 0.5 | < 0.5 | -- | 0.6 | Adequate | 0 | |
| | | Funding | Funding volume | EUR or USD bn | -- | ≥ 25 | < 25; ≥ 5 | < 5; ≥ 2 | < 2 | -- | 114.9 | Very Strong | 2 | |
| | | | Currency diversification | Top 1 share | -- | -- | ≤ 70 | > 70 | -- | -- | 100.0 | Adequate | 0 | |
| | | Trend (-1; +1) | | | | | | | | | | | 1 | |
| | Asset quality (-3; +5) | Portfolio quality | Incl. risk mitigants | Qualitative | -- | Very Strong | Strong | Adequate | Moderate | Weak | Very Strong | Very Strong | 2 | |
| | | Asset performance | NPLs | % total loans | ≤ 0.5 | > 0.5; ≤ 1 | > 1; ≤ 3 | > 3; ≤ 5 | > 5 | -- | 0.0 | Excellent | 3 | |
| | | Trend (-1; +1) | | | | | | | | | | | 0 | |
| Financial Profile | | | | | | | | | | | | Very Strong | | |
| Intrinsic Strength | | | | | | | | | | | | Excellent | | |
| Indicative Rating | | | | | | | | | | | | AAA | | |
| Additional considerations (-1; +1) | | | | | | | | | | | | Neutral | | |
| Final Rating | | | | | | | | | | | | AAA | | |

Source: Scope Ratings



European Union and Euratom

IV Asset quality assessment

| | | | | | |
|---|-------------|--------|----------|----------|------|
| Portfolio quality (initial assessment) | Very Strong | Strong | Adequate | Moderate | Weak |
| Indicative borrower quality | aaa/aa | a | bbb | bb | b/cc |
| Notches | +2 | +1 | 0 | -1 | -2 |

| Adjustments | | Indicator | Assessment/ Thresholds | | | | | | | | |
|--------------------------|------------------------|---------------------|------------------------|------|--------|--------|--------|------|------|------|----|
| Points | | | +5 | +4 | +3 | +2 | +1 | 0 | -1 | -2 | -3 |
| Credit Protection | Sovereign PCS | % of loan portfolio | 100 | ≥ 80 | ≥ 60 | ≥ 40 | ≥ 20 | < 20 | | | |
| | Private sector secured | | | | | | | | | | |
| Diversification | Geography | HHI | | | ≤ 1000 | ≤ 2000 | > 2000 | | | | |
| | Sector | HHI | | | | ≤ 2000 | > 2000 | | | | |
| | Top 10 exposures | % of loan portfolio | | | ≤ 25 | ≤ 75 | > 75 | | | | |
| Equity Exposure | | % of equity | | | | | ≤ 25 | > 25 | > 50 | > 75 | |

| | |
|--------------|---------------|
| Total points | +5 |
| Adjustments | +2 categories |

| | | | | | |
|---|-------------|--------|----------|----------|------|
| Portfolio quality (final assessment) | Very Strong | Strong | Adequate | Moderate | Weak |
| Notches | +2 | +1 | 0 | -1 | -2 |

Source: Scope Ratings. Three points usually correspond to one assessment category. In the case of the EU, this implies up to two categories higher from the initial portfolio quality assessment based on the estimated average borrower quality.

V Statistical tables

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|--|-----------|-----------|-----------|-----------|-----------|-----------|
| Shareholder support | | | | | | |
| Key shareholder rating | AA- | AA- | AA- | AA- | AA- | AA- |
| Share of shareholders rated ≥ AA- (%)* | 61.1 | 61.1 | 62.7 | 56.8 | 58.1 | 58.1 |
| Liquidity (EUR m) | | | | | | |
| Cash & cash equivalents | 25,150.0 | 20,975.0 | 28,091.7 | 21,750.0 | 21,783.3 | 37,800.0 |
| NGEU – cash account | - | - | - | - | 18,000.0 | 19,900.0 |
| Adj. budgetary margin** | 48,311.5 | 33,636.3 | 39,985.0 | 23,019.1 | 89,414.8 | 102,011.2 |
| Bond repayments within 12 months | 6,700.0 | 2,350.0 | 1,273.0 | 10,410.0 | 23,769.0 | 23,204.0 |
| Disbursements | 1,063.0 | 565.0 | 420.0 | 41,275.0 | 132,644.0 | 118,253.0 |
| Liquid assets ratio (%) | 946.3 | 1,873.5 | 4,021.1 | 86.6 | 82.6 | 112.9 |
| Funding (EUR m) | | | | | | |
| Volume | 1,063.0 | 5,065.0 | 420.0 | 41,275.0 | 157,599.0 | 173,562.0 |
| <i>Share of total (%)</i> | | | | | | |
| EUR | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| ESG issuance (SURE and green) | - | - | - | 95.7 | 39.4 | 15.7 |
| Borrowings (EUR m) | | | | | | |
| Debts evidenced by certificates | 54,674.0 | 53,725.0 | 52,433.0 | 93,192.0 | 236,720.0 | 344,303.0 |
| % EU GDP | 0.4 | 0.3 | 0.3 | 0.7 | 1.6 | 2.2 |
| % Total budget revenue | 40.1 | 33.0 | 32.7 | 41.6 | 132.3 | 201.1 |
| Loans (EUR m) | | | | | | |
| Debts evidenced by certificates | 54,721.4 | 53,775.4 | 52,563.6 | 93,300.7 | 236,721.0 | 344,303.0 |
| MFA | 3,901.5 | 4,387.6 | 4,754.4 | 5,813.0 | 7,464.0 | 14,963.0 |
| Euratom | 249.8 | 253.9 | 213.7 | 392.2 | 351.0 | 327.0 |
| EFSM | 47,456.0 | 47,400.0 | 47,394.4 | 47,394.4 | 47,138.0 | 46,587.0 |
| BoP | 3,114.1 | 1,733.9 | 201.1 | 201.1 | 201.0 | 201.0 |
| SURE | -- | -- | -- | 39,500.0 | 90,567.0 | 99,130.0 |
| NGEU | -- | -- | -- | -- | 91,000.0 | 187,837.0 |
| Guarantees (EUR m) | | | | | | |
| Total | 53,479.0 | 66,315.0 | 63,776.0 | 62,285.0 | 60,443.0 | 105,868.0 |
| EIB – external lending mandate | 37,479.0 | 40,417.0 | 37,929.0 | 35,372.0 | 33,026.0 | 30,599.0 |
| EIB – EFSI | 16,000.0 | 25,898.0 | 25,797.0 | 25,543.0 | 25,826.0 | 25,793.0 |
| EFSD | - | - | 50.0 | 1,370.0 | 1,391.0 | 1,176.0 |
| InvestEU | - | - | - | - | - | 21,280.0 |
| EFSD+ | - | - | - | - | 200.0 | 27,020.0 |
| Budget (EUR m) | | | | | | |
| Total revenues | 136,183.0 | 162,932.0 | 160,288.0 | 224,027.0 | 178,948.0 | 171,179.0 |
| of which, GNI-based own resource | 78,620.0 | 105,780.0 | 108,820.0 | 125,393.0 | 115,955.0 | 103,880.0 |
| Total expenditures | 128,101.0 | 149,014.0 | 155,493.0 | 166,612.0 | 221,046.0 | 263,128.0 |
| Budgetary surplus from previous year | 6,405.0 | 555.0 | 1,803.0 | 3,218.0 | 1,769.0 | 3,227.0 |
| Other | | | | | | |
| EU GNI (EUR trn) | 15.4 | 16.0 | 16.6 | 13.5 | 14.6 | 15.8 |
| EU GDP (EUR trn) | 15.4 | 16.0 | 16.5 | 13.5 | 14.6 | 15.8 |
| EU population (m) | 511.4 | 512.5 | 513.2 | 447.5 | 447.0 | 446.7 |

*ECB capital key. **Difference between own resources ceiling and total payments, adj. for other revenues and AA- ratings. Figures may not add up due to rounding. Source: EU, Scope Ratings



Scope Ratings GmbH

Headquarters Berlin

Lennéstraße 5
D-10785 Berlin

Phone +49 30 27891 0

Oslo

Karenslyst allé 53
N-0279 Oslo

Phone +47 21 09 38 35

Frankfurt am Main

Neue Mainzer Straße 66-68
D-60311 Frankfurt am Main

Phone +49 69 66 77 389 0

Madrid

Paseo de la Castellana 141
E-28046 Madrid

Phone +34 91 572 67 11

Paris

10 avenue de Messine
FR-75008 Paris

Phone +33 6 6289 3512

Milan

Via Nino Bixio, 31
20129 Milano MI

Phone +39 02 30315 814

Scope Ratings UK Limited

London

52 Grosvenor Gardens
London SW1W 0AU

Phone +44 20 7824 5180

info@scoperatings.com
www.scoperatings.com

Disclaimer

© 2024 Scope SE & Co. KGaA and all its subsidiaries including Scope Ratings GmbH, Scope Ratings UK Limited, Scope Fund Analysis GmbH, and Scope ESG Analysis GmbH (collectively, Scope). All rights reserved. The information and data supporting Scope's ratings, rating reports, rating opinions and related research and credit opinions originate from sources Scope considers to be reliable and accurate. Scope does not, however, independently verify the reliability and accuracy of the information and data. Scope's ratings, rating reports, rating opinions, or related research and credit opinions are provided 'as is' without any representation or warranty of any kind. In no circumstance shall Scope or its directors, officers, employees and other representatives be liable to any party for any direct, indirect, incidental or other damages, expenses of any kind, or losses arising from any use of Scope's ratings, rating reports, rating opinions, related research or credit opinions. Ratings and other related credit opinions issued by Scope are, and have to be viewed by any party as, opinions on relative credit risk and not a statement of fact or recommendation to purchase, hold or sell securities. Past performance does not necessarily predict future results. Any report issued by Scope is not a prospectus or similar document related to a debt security or issuing entity. Scope issues credit ratings and related research and opinions with the understanding and expectation that parties using them will assess independently the suitability of each security for investment or transaction purposes. Scope's credit ratings address relative credit risk, they do not address other risks such as market, liquidity, legal, or volatility. The information and data included herein is protected by copyright and other laws. To reproduce, transmit, transfer, disseminate, translate, resell, or store for subsequent use for any such purpose the information and data contained herein, contact Scope Ratings GmbH at Lennéstraße 5 D-10785 Berlin.